

THE I/FAX



ADMINISTERED BY ILLINOIS STATE TREASURER ALEXI GIANNOULIAS

Contact us at www.illinoisfunds.com or 1-800-346-7414

SEPTEMBER/OCTOBER 2008

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MARKET PERSPECTIVE

By Mark Polistina

Why the Rescue Plan was Good for Us All

The plan as passed by Congress and signed into law by the President was not perfect by any means; it did however provide one very important element, confidence. At this point the credit/cash markets are in disarray. To put it plainly those who have money will not lend to those who need it. This has a direct impact on Main Street, because, if a small business can't borrow money against its accounts receivable, then it can't meet its payroll. If an auto dealer can't borrow money to finance his or her inventory of vehicles, then they can't sell any. If a factory can't borrow to finance the purchase of raw goods, it can't produce. If John Q. Public can't borrow money to buy a car/truck/washing machine, then the dealers quit ordering and the factories don't produce.

If any or all of these happen, then people lose their jobs. If people lose their jobs, they don't buy from the businesses that could borrow and the cycle starts over.

The affects of not passing the plan could have ranged from part of the above scenarios to all. The uncertainty of our current conditions is above all worrisome, the fix-them-one-at-a-time plan is un-

tenable and threatens to overwhelm the markets. A systematic approach is the best answer for us all.

State and Local Government Borrowing

The ability of a State and Local Government to borrow is determined by its ability to access capital markets. The current crisis involves the inability to efficiently access cash. When markets are in a state such as the current one, only the premier financial borrower can obtain borrowing. Those borrowers of lesser quality are forced to pay exorbitant rates.

Many Local Governments and the State of Illinois borrow funds by issuing bonds. These markets are among the most unstable due to the uncertainty surrounding the Credit Rating Companies. At this point many Local Governments and the State of Illinois have not issued any bonds this year, so the direct effect has not had an immediate impact. This will change should there be a need to sell bonds in the near future.

Markets

Our anticipation is for a bumpy ride for the next few weeks and then hopefully cooler heads will have prevailed. Further, the threat of inflation has been taken off of the table for the next six months or longer. If our

view is correct, rates will remain in their current range for some time.

Mark Polistina is the Portfolio Manager for the Illinois Funds.

The Illinois Funds maintains S&P's AAAM rating

Standard & Poor's has reaffirmed the Illinois Funds' AAAM rating. The rating is based on S&P's analysis of the pool's credit quality, market price exposure and management. The rating signifies an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks.

Columbus Day Schedule

The Illinois Funds will close early on Friday, October 10 and will be closed on Monday, October 13 for Columbus Day.

All early closes will occur at 12:00 noon. If you have any questions about inbound or outbound wire transfers on October 10, please call U.S. Bank at (800) 947-8479.

Yesterday's Rates 10/6/08

Money Market Fund

1.039%

Prime Fund

1.291%



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 8/31/08

Money Market Fund (Daily Liquidity)

Prime Fund (7-day Liquidity) after 30-day minimum term

Net Portfolio Assets (in millions)	\$4,878	Net Portfolio Assets (in millions)	\$1,738
Monthly Investment Earnings (in 1000's)	\$8,526	Monthly Investment Earnings (in 1000's)	\$3,376
7 Day Yield*	2.07%	7 Day Yield*	2.16%
One Month Yield*	2.07%	One Month Yield*	2.16%
Net Asset Value (per share)	\$1.00	Net Asset Value (per share)	\$1.00
Weighted Average Maturity	22	Weighted Average Maturity	27
*Yield Net of Fees		*Yield Net of Fees	

Monthly Public Sector Rate Comparison

The Illinois Funds, MMF	2.07%	The Illinois Funds, Prime	2.16%
S&P Govt Inv Pool-Govt Fund Index	2.12%	S&P Govt Inv Pool-Taxable Funds Index	2.39%
IL School Dist Liquid Asset	2.32%	IL School Dist Liquid Asset Max	2.41%
3 Month Treasury Bill	1.74%	3 Month Treasury Bill	1.74%
6 Month Treasury Bill	1.95%	6 Month Treasury Bill	1.95%

Monthly Private Sector Rate Comparison

The Illinois Funds, MMF	2.07%	The Illinois Funds, Prime	2.16%
IMoneynet™ - Govt. Institutional	1.74%	Federated Govt Obligations	2.19%
Fidelity - 695 Treas Fund	1.85%	Fidelity - 57 Govt Fund	2.20%
Goldman Fin Sq Treas Fund - 468	1.85%	Goldman Fin Sq Govt Fund - 465	2.29%
30 Day Time Deposit	1.96%	90 Day Time Deposit	2.81%

FUND COMPOSITIONS

Money Market Fund

Prime Fund

71.8% - Repurchase Agreements
6.6% - Money Market Funds
3.8% - Certificates of Deposit
0.0% - Treasury Bills
17.8% - US Government Agencies

66.2% - Repurchase Agreements
1.9% - Certificates of Deposit
14.1% - US Government Agencies
0.5% - Money Market Funds
17.3% - Commercial Paper

E-Pay Account Rate

1.039% 10/6/08

1-866-831-5240

www.illinoisepay.com

Rapid Revenue Acct. Rate

1.039% 10/6/08

1-800-346-7414

Visit our website at www.illinoisfunds.com for further information.



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 9/30/08

Money Market Fund (Daily Liquidity)

Prime Fund (7-day Liquidity) after 30-day minimum term

Net Portfolio Assets (in millions)	\$5,140	Net Portfolio Assets (in millions)	\$1,796
Monthly Investment Earnings (in 1000's)	\$8,293	Monthly Investment Earnings (in 1000's)	\$3,173
7 Day Yield*	1.52%	7 Day Yield*	1.68%
One Month Yield*	2.03%	One Month Yield*	2.15%
Net Asset Value (per share)	\$1.00	Net Asset Value (per share)	\$1.00
Weighted Average Maturity	26	Weighted Average Maturity	34
*Yield Net of Fees		*Yield Net of Fees	

Monthly Public Sector Rate Comparison

The Illinois Funds, MMF	2.03%	The Illinois Funds, Prime	2.15%
S&P Govt Inv Pool-Govt Fund Index	2.17%	S&P Govt Inv Pool-Taxable Funds Index	2.45%
IL School Dist Liquid Asset	2.45%	IL School Dist Liquid Asset Max	2.54%
3 Month Treasury Bill	1.20%	3 Month Treasury Bill	1.20%
6 Month Treasury Bill	1.68%	6 Month Treasury Bill	1.68%

Monthly Private Sector Rate Comparison

The Illinois Funds, MMF	2.03%	The Illinois Funds, Prime	2.15%
IMoneynet™ - Govt. Institutional	1.52%	Federated Govt Obligations	2.22%
Fidelity - 695 Treas Fund	1.41%	Fidelity - 57 Govt Fund	2.27%
Goldman Fin Sq Treas Fund - 468	1.30%	Goldman Fin Sq Govt Fund - 465	2.26%
30 Day Time Deposit	2.02%	90 Day Time Deposit	2.84%

FUND COMPOSITIONS

Money Market Fund

51.6% - Repurchase Agreements
7.0% - Money Market Funds
3.6% - Certificates of Deposit
0.0% - Treasury Bills
37.8% - US Government Agencies

Prime Fund

54.3% - Repurchase Agreements
1.8% - Certificates of Deposit
26.1% - US Government Agencies
0.9% - Money Market Funds
16.9% - Commercial Paper

E-Pay Account Rate

1.039% 10/6/08

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